

EXHIBIT 1



Asia Personal Care & Cosmetics Market Guide

2016



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Considerable credit is due to ITA's Global Healthcare Team, who authored the country case studies, providing considerable market research and field based insights to this report, including: **Swee-keng Cheong**, **Janet Coulthart**, **John Kanawatl**, **Angela Han**, **Janet Li**, **Pepsi Maryarini**, **Chris Ono**, **Manjushree Pookan**, **Dey Robles**, **Ylen Rumerai**, **Smita Sherigar**, **Shen Yan**, **Tracy Yeoh**, **Luanne Theseira**, and **Heesook Baik**.

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Executive Summary

There Has Never Been a Better Time to Enter Asia's Cosmetics Market Place

The countries in the Asia report represent some of the largest and high potential markets for export-led growth for the U.S. Personal Care and Cosmetics industries. Comprising over 20% of U.S. global exports in the sector, the Asia countries offer the industry over 3 billion potential consumers in the fastest growing global markets. This base includes consumers in well-established markets for U.S. products such as Japan, Australia and South Korea, which together accounted for more than \$1 billion in U.S. personal care and cosmetics exports in 2015—to China, which at an estimated \$500 to \$600 million in U.S. exports that same year, is predicted to become the largest global market for cosmetics in the next two to three years.¹

In addition, the countries included in the Asia Personal Care and Cosmetics Guide provide access to some of the highest potential future markets—including the growing middle class in countries spanning from Indonesia to Vietnam to Malaysia. These consumers aspire to the quality and sophistication for which U.S. products are known. Currently these markets source most of their basic personal care products such as shampoos, soaps and other grooming products from mass market U.S. companies including Procter and Gamble, Johnson and Johnson and Colgate-Palmolive. Increasingly these consumers are moving beyond the basics to premium skin and hair care as well as color cosmetics opening the door to a wide variety of U.S.-based cosmetics exporters.

Table 1 summarizes three years of U.S. exports to these markets, which have grown across the region by an average annual rate of 6% over the last five years, even during the global downturn of 2011-2012. Stunningly, in some countries U.S. exports have grown by as much as 62% over the past three years in high potential markets such as Indonesia, Vietnam and China and this growth is predicted to continue.

Table 1: Summary of US Exports to the Asia Countries (\$USD)

	2013	2014	2015	5 Yr CAGR	3 Year Growth
Hong Kong	\$528,831,000	\$521,959,000	\$516,669,000	NA	-2%
Japan	\$568,489,269	\$519,891,675	\$491,176,604	-1%	-14%
South Korea	\$424,921,167	\$489,771,533	\$487,148,249	4%	15%
China	\$324,183,216	\$336,578,269	\$392,606,007	15%	21%
Singapore	\$313,969,980	\$324,815,120	\$340,553,935	6%	8%
Thailand	\$75,207,022	\$86,657,330	\$80,417,978	2%	7%
Malaysia	\$63,298,633	\$71,122,679	\$78,917,998	9%	25%
Philippines	\$52,876,097	\$60,813,319	\$56,935,354	8%	8%
Vietnam	\$40,108,841	\$52,840,162	\$53,481,224	11%	33%

¹ The estimate of U.S. exports to China is based upon exports to the mainland and an estimated 40% of U.S. exports to Hong Kong, given that these products are then re-exported to China via visitors and other channels.

India	\$49,084,035	\$55,636,277	\$53,771,347	0%	10%
Australia	\$19,414,099	\$29,362,407	\$31,398,239	9%	62%
Total	\$2,051,018,946	\$2,157,192,939	\$2,197,349,243	6%	7%

Source: Trade Policy Information System (TPIS)

Across many of these markets, as illustrated in Table 2, per capita levels of cosmetics spend is still very low, when benchmarked against peer countries such as the U.S. or Japan. China for example, only spends \$24 per person annual on personal care and cosmetics products, whereas South Korea and Japan spend \$171 and \$174 annually.²

Table 2: Per Capita Cosmetics Spend in TPP Countries 2014

	Per Capita Cosmetics Spend, 2014
China	\$24
U.S.	\$139
France	\$139
South Korea	\$171
Japan	\$174
Australia	\$30.47
Malaysia	\$7 (2013)
New Zealand	\$84.92
Singapore	\$299 / \$90
Vietnam	\$5.28 (2013)

Source: US Department of Commerce Estimates

K-Beauty Leads in Product Trends, While U.S. Brands Lead in Trust and Quality

Lead by the global K-Beauty craze, these markets also represent some of the most discerning, sophisticated cosmetics consumers. Vis-s-vis their U.S. counterparts, urban women in many of these countries use five or more products daily. In line with regional cultural values, the most popular products are multifunctional skin care products, protecting skin from harsh sun and other environmental conditions, while promoting skin tone that is even and light. As a result, skin care products represent up to 40% of sales in some markets. However, as Korean and Indian TV and pop-stars dominate popular culture, many young and professional women are increasingly experimenting with color cosmetics. This is reflected in U.S. export statistics in which color cosmetics, including lip, eye and nail polish are among some of the fastest growing categories. The region's men are also increasing consumers of both personal care and grooming products. Similar to women, they value even, clear skin tone and are also willing to experiment with cosmetics. Specialty hair care products, including

² Singapore's per capita cosmetics spend is not reflective of domestic demand, as 70% of all cosmetics are re-exported. Therefore, actual per capita spend is likely closer to \$90 per person, per annum. (2) Data provided for Malaysia and Vietnam is based on 2013 size of the cosmetics market.

styling products, conditioners and colorants are also growing quickly. These products need to help Asia consumers deal with regional conditions, such as the ability for easy washing due to hard water and stylants that can deal with high humidity, while giving body and UV protection to thicker hair.

To be successful in many Asian markets, companies also need to be sensitive to local trends and competition. For example, Indonesia, representing the largest Muslim population in the world, passed a regulation in 2015 that by 2020 all cosmetics products will have to be labeled as Halal. Whereas in China and India, there is a strong interest in local ingredients and herbal traditions and the properties that these essential oils and other products can bring to personal care products and cosmetics. Asian consumers are also somewhat discerning in terms of packaging. K-Beauty has fueled this trend, with its whimsical and innovative packaging including the air cushion, peel off makeup and lip balms in the shapes of flowers or panda bears.

Smart phone penetration and use for e-commerce is also higher in some Asian countries than even in the U.S., with for example the majority of Chinese consumers having purchased products via e-commerce using their smart phones. Asian consumers also rely on e-commerce to access products, not available in their local market—particularly if they live in second or third tier cities rather than their national capitols. E-Commerce as a result, offers a highly viable entry route for U.S. companies seeking to enter Asian markets. However, companies should be aware that Asia's discerning consumers also expect to be engaged via sophisticated digital marketing and social media campaigns.

Direct Selling is still very popular in some markets, such as the Philippines, where Avon is the largest seller of color cosmetics and Singapore, where direct selling is used as an entry strategy. There is also growing interest in accessing products through specialty salons and doctor-led channels. Private-label brands are also increasingly popular, as the region's retail, hospitality chains and other channels seek to brand these products.

While being mindful of the need to not overly characterize trends across these 11 highly differentiated markets, there are a number of trends of note.

Baby and Child Care Products (Top Export Opportunity)

With Asia's rapidly growing population, baby and child specific products are among the fastest growing product category. While this category is still relatively small—often less than 5% of each country's total domestic market—it is expected to continue to grow, given Asian helicopter parents, who pamper and dote on their children. It also is a highly competitive category for imported products, given consumer sensitivities to the safety of these products, given high levels of adulteration of personal care products. There are still relatively few players in this market outside of Johnson and Johnson, offering a significant niche opportunity for U.S. companies new to the market. Moreover, U.S. branded products also benefit from their strong reputation and track record of safety. However, U.S. companies wishing to enter this product category should be aware that in some Asian markets, there are stricter product approval levels and standards required for these products.

Green or Natural Products (Top Export Opportunity)

Given the number of health scares from adulterated and counterfeit mass market products such as faulty face masks and tainted cosmetics, some Asian consumers are wary of mass products sold via local channels. Green or natural cosmetics, products that contain medicinal, natural or nutritional ingredients such as vitamins, aloe and traditional medicines are very popular. Market data on the trends in these types of products is not readily available, but inputs for these types of products such as essential oils,

are among the fastest growing categories in many products. Note: U.S. companies seeking to market these types of products will need to review their claims, labeling and marketing strategies, as in some Asian markets the use of the terms such as natural and organic are banned.

Color Cosmetics (Top Export Opportunity)

Following skin care, color cosmetics are often the second fastest growing product category, for U.S. exports. Asian consumers expect ABCD, multifunction products as well as creative touches such as cooling face gels.³ They also expect color palettes adapted to local skin tones and fashion trends. Manicures and pedicures are increasingly popular, with an emphasis on bright colors, color-fast gels, and other attributes that make nails stand out, such as textured, decorative coatings and crystals. There is also increasing interest and growing market for permanent make-up.

Other top prospects, include

1. Dry shampoos, leave-in conditioners and styling treatments
2. Facial skin anti-aging creams, whitening lotions, and masks
3. "Dermo-skincare products" for retail distribution
4. Hair coloring products
5. Body treatments, slimming treatments, massage and bath products for use in spas and professional skincare salons
6. Personal care and cosmetic products using organically-grown and naturally-derived ingredients hypo-allergenic, with low concentrations of fragrance and preservatives. The market is still relatively small. In some markets, local distributors sometimes retail them in smaller bottles than non-organic products for the prices to remain competitive.
7. Use-at-home hand held devices for body and facial skin firming and contouring
8. Skincare products for men
9. Nail colors, nail-care products, artificial nails, soft nail gels
10. Color cosmetics, including long-lasting lip stick, cream-based eye shadows and ABC creams
11. Fake eyelashes & semi-permanent eyelash extensions
12. Private labeling and contract manufacturing of skincare and cosmetic products for the leading retail, hospitality and spa/salon chains

Succeeding in Market Authorization

With the introduction of the ASEAN Cosmetics Directive in 2007 and the variety of regulatory requirements across the Asian markets, which span from ingredient requirements to claims and labeling prescribed lists, it is recommended in most of these markets to partner with a local distributor, who can assist with gaining local or regional market authorization for products as well as marketing. Recognizing the challenges for U.S. firms in initially identifying high potential markets, based both on market research and varying compliance

³ ABCD stands for product attributes, including anti-aging, beauty balm, correct and cover and disguise and diminish, aka Do All

requirements, in this version of the guide we have included a new Market Readiness Checklist. This new tool, enables a comparison of these requirements across countries. Given that market authorization can cost hundreds or even thousands per product SKU in terms of both government and consulting fees, the labeling, ingredient, and registration requirements can play a large role in determining which markets to enter, particularly for those companies that enter a market with at least ten (10) or more SKUs. The new Market Readiness Checklist, assists companies with an initial scan of compliance requirements that would prohibit entry due to cost or inability to meet the requirements. For example in China, the requirement that imported products be animal tested, makes China inaccessible to many companies who will not animal test their products due to branding or the testing costs. We hope that by providing a high level, comparable country-by-country overview of these requirements, the Market Readiness Checklist will significantly assist companies in identifying potential markets, while reducing the time and cost it takes to gather the requirements. Companies will then be better positioned to work with the International Trade Administration in identifying business partners to facilitate the market authorization process, having identified high potential, feasible targets.

How to Use this Guide

This Guide is comprised of two sections.

1. The 11 Country Overviews, which provide an overview of each of the national markets, highlighting three to five years of market research on trends. Each country guide stratifies the local consumer population, discussing demographic and consumer purchasing trends, as well pricing, distribution and market channels. To assist U.S. companies in understanding their relative positioning in the market, the guides include an overview of the top export countries for each market and the types of products that these countries are successfully marketing. There is also an Annex to each country guide that provides all of the supporting data tables, allowing the reader to drill down more on the data as pertains to their specific product of interest and its performance across the top markets for a given country's imports.
2. The second section is the Market Readiness Checklist, which enables companies to review the market authorization requirements, timelines and costs in each market.

Personal Care & Cosmetics Products

Country Guide: China

Executive Summary

China is 10th largest market for U.S. personal care and cosmetics exports, with U.S. products exports totaling \$392.6 million in 2015, representing 3% of the total U.S. export market. Within the next decade, China has the potential to become the largest market for U.S. products, with U.S. exports to China growing 64% in the period between 2010 and 2015. While China's rate of economic growth has slowed over the past few years, it has not impacted the growth of U.S. personal care and cosmetics exports. This is likely due to the current low rates of these products consumption in China, which at \$24 per person, per annum in 2014, is still far lower than neighboring countries such as South Korea and Japan, which averaged \$223 and \$174 respectively.

Overview of the Domestic Market

Market Size, Growth Trends and Consumer Profile

With an estimated \$50 billion in domestic sales in 2015 and 7% to 10% annual growth predicted in 2016 and beyond, China is projected to become the largest market for personal care and cosmetics products globally in the next five to ten years. Despite its relatively large market size, merely 10% of the population uses cosmetics regularly. Consumption of cosmetics is most prevalent in tier 1 megacities, with increasing penetration in China's inland tier 2 and tier 3 cities, which are also experiencing the fastest increases in China's growing middle class and consumption of consumer products. The majority of consumers of these products are 20 to 30 year olds, although there is a robust level of consumption among 30 to 39 year olds who also consume higher percentages of premium products. While the market is predicted to grow at 10% or greater over the next five years, U.S. companies considering exporting to China should be aware of the high levels of competition and complex product registration requirements required to enter China. Although a slice of Chinese cosmetics and personal care products consumers are willing to pay for branded or premium products, consumers tend to be less brand-loyal and more price sensitive than U.S. or European counterparts. As a result, product demand, even among well established brands, can be volatile from year to year.

Multinational companies continue to dominate the personal care products market in China, with nine of the top ten largest sellers across categories being foreign companies. The three largest sellers in China currently are Procter and Gamble, L'Oreal and Shiseido. This trend is also reflected in domestic production, with over 80% of products produced via foreign-owned or joint ventures.

Distribution Channels

Market channels for personal care and cosmetics products are changing rapidly, reflecting consumer distrust of mass market channels; the upgrading of Chinese consumer preferences; and the growing middle class in Tier 2 and Tier 3 cities.

Sales of these products via grocery stores is down from 81% in 2011 to 70% in 2014—while sales via non-grocery channels, including beauty specialist, department and pharmacy stores is up approximately

two percent to 18% of all cosmetics sales in the same time period. Direct selling is up by two percent during this period to 13.5% of all sales. Online retailing is by far the fastest growing channel up from 5.3% in 2011 to 15.5% 2014, with estimates that this channel could grow to 30% or more of total sales in the next five to ten years. The increasingly popularity of online channels reflects both the sparser access to retail stores and diversity of brands in Tier 2 and 3 cities. Consumers who shop via this channel are also unique in that they purchase high levels of premium products.

The rise of online sales was also driven in part by the advantageous terms that cross-border, imported products received vis-a-vis domestically produced products and products imported via traditional channels. These cross-border products were not subject to these same product registration requirements, which in China can cost \$1,000 or more per SKU and take up to 8 months to complete registration for nonspecial use cosmetics. As a result, many products not registered for consumption in China, were available via the online channel. Similarly, these products were also subject to fewer taxes. In April 2016, China introduced new e-commerce cross-border regulations requiring registration for cosmetics as well as for a number of other consumer goods sold through this channel—putting these products on a more equal footing with products sold via traditional outlets. It is not yet clear how these policy changes will impact online product sales.

Another important consideration for companies marketing to Chinese consumers is the importance that consumers place upon recommendations from their family and friends for purchasing decisions compared to television, internet and other advertising. A 2015 market research report cited that sixty nine percent of Chinese consumers reported that they purchased products based upon the recommendation of a friend. Additionally, Chinese consumers who are online, on average hold six to eight or more social media accounts and tend to use these channels to research and to inform their cosmetics purchases, with women basing their decisions primarily on information gained via this channel.

Product Trends

U.S. companies new to the Chinese market may find the greatest opportunities in premium or niche products, with demand predicted to grow at a faster rate than the demand for traditional products. Chinese consumers grow increasingly suspect of mass market products. In addition, adults born under the one child policy are more inclined to spend on themselves and luxuries. This group travels more frequently abroad than previous generations. The resulting exposure to foreign brands has instilled a cachet and preference for niche products and foreign origins. Chinese consumers are forecasted to buy 44% of the world's luxury goods by 2020, with the average spend on these items growing 11% year over year per a KPMG consumer survey in 2014. This trend is particularly prevalent in cosmetics. For example, via online channels, Chinese consumers ages 30-39 are purchasing 60% of all online cosmetics sales in China, with an average purchase of \$275 and a total annual spend of \$644 per annum.

Representative retail prices for the following products (US\$)

Products	Mass Market		Premium	
	Low	High	Low	High
Perfume	\$10	\$28	\$43	\$100
Lipstick	\$11	\$19	\$40	\$99
Eye Shadow	\$15	\$27	\$48	\$84
Mascara	\$9	\$22	\$37	\$61
Sunscreen	\$3	\$25	\$59	\$135
Bronzer/Blush	\$12	\$27	\$57	\$107

Skin Cream	\$4	\$20	\$87	\$382
Shampoo/Conditioner	\$3	\$21	\$61	\$132
Hair Styling Product	\$1.5	\$5	\$19	\$51
Deodorant	\$3	\$5.5	\$22	\$32
Nail Polish	\$2	\$9	\$16	\$28
Shaving Prep	\$1.5	\$7	\$25	\$40

Exchange Rate: 1USD=6.68CNY

Source: US Department of Commerce, International Trade Administration Field Research

Trends in US Imports and Competing Products**Table 9: Imported Products Share of China's Personal Care and Cosmetics Market (US\$) (Thousands)**

Top 7 Importers to China	2013	% Market Share	2014	% Market Share	2015	% Market Share
US	\$324,183	8%	\$336,578	11%	\$392,606	9%
France	\$481,913	12%	\$557,820	18%	\$509,255	12%
Japan	\$602,059	15%	\$901,830	29%	\$1,518,563	36%
South Korea	\$356,634	9%	\$656,422	21%	\$1,260,033	30%
Thailand	\$70,835	2%	\$61,661	2%	\$38,182	1%
Brazil	\$30,438	1%	\$19,817	1%	\$33,720	1%
EU 28 (Excluding France)	\$2,138,023	53%	\$557,820	18%	\$509,255	12%
Total Chinese Imports Reported by Exporters	\$4,004,084	100%	\$3,091,951	100%	\$4,261,616	100%
Total Imports Reported by China (1)	\$3,068,131	NA	\$3,768,144	NA	\$6,117,199	NA

Source: Trade Policy Information System (TPIS), if marked with a *, source is Global Trade Atlas

As illustrated in Table 11, demand trends across countries can be volatile from year to year, given the lack of loyalty among Chinese consumers to specific brands. However, there are some prominent trends. The EU has lost significant market share, with exports to China growing at a much slower pace vis-a-vis Japan, South Korea and the U.S. As a result, while China's imports of products have grown exponentially, the EU market share has shrunk with Japan and South Korea now the largest suppliers of personal care and cosmetics products. South Korea's competitive position with China was also significantly strengthening with the signing of a free trade agreement with China in the summer of 2015, which brings in all Korea products with zero tariffs.

US Imports and Competitors

The following section provides a deeper dive on the sales and demand trends in some of the main product categories, as well as identifying categories that may have the highest potential for U.S. companies new to the Chinese market.

Skin products comprise almost half of the domestic sales at 47%. The next largest category is hair care products at 15%; followed by oral care at 9.4% percent; color cosmetics at 7%; and bath and shower products at 6%.

Table 2 in the Appendix provides an overview of trends in U.S. exports across these and other product categories to China, with the top export market prospects for U.S. firms highlighted in this report.

See Appendix Table 2: China Imports of Personal Care and Cosmetics Products from the U.S. Skin and Sun Care (Sun Care: Top Export Opportunity)

Chinese women, similar to their Asian counterparts, use multiple skin care treatments daily, averaging three products. This focus on skin care is also reflected in U.S. exports, with skin care products comprising 34% of all U.S. exports in the sector. Similar to other Asian countries, there is an emphasis on products that whiten or even skin tone. This consumer preference suggests potential for growing sales of sunscreen products, as well as the inclusion of sunscreens in other products in the future; although currently sunscreens comprise only 1% of domestic sales. Cosmeceuticals, products which combine cosmetic and pharmaceutical features such as acne treatment or anti-aging, are also increasingly popular, growing at an estimated 10% to 20% per annum.

The U.S. is currently the fourth largest exporter of products across this category to China, preceded by the EU, South Korea and Japan.

Baby and Child Care Products (Top Export Opportunity)

Baby and child specific products are the fastest growing product category in China's domestic market with 16.3% growth in 2014 according to the Fung Business Center. While this category is still relatively small—at only 4% of the total domestic market—it is expected to continue to grow, given both the increasing interest generally of Chinese parents to pamper their children via child-specific products. It also is a highly competitive category for imported products, given consumer sensitivities to the safety of these products, given high levels of adulteration of personal care products. The baby and child care products category is relatively new in China with few players; therefore offering a significant opportunity for U.S. companies new to the Chinese market. Moreover, U.S. branded products also benefit from their strong reputation and track record of safety. However, U.S. companies wishing to enter this product

category should be aware that there are stricter product approval levels and standards required for these products.

Hair Products (Top Export Opportunity)

Niche and premium hair products are the fastest growing segment for U.S. exports to China, up 32.7% over the past three years. Domestically, hair products comprise 15% of the total domestic personal care and cosmetics market, growing at a rate of 3.5% from the prior year. Foreign companies producing locally in China such as Procter and Gamble and L'Oreal dominate the mass market. Imports of U.S. products are growing across all product segments: shampoos, hair preparation and hair spray, with the exception of hair straightening and waving products which are down. Shampoo is the fastest growing segment, followed by other specialty styling products.

Green or Natural Products (Top Export Opportunity)

Given the number of health scares from adulterated and counterfeit mass market products such as faulty face masks and tainted cosmetics, Chinese consumers are increasingly weary of mass products sold via supermarkets and other local channels. Chinese consumers also tend to believe that mass market products, made from synthetic ingredients are less healthy.⁸ Green or natural cosmetics, products that contain medicinal, natural or nutritional ingredients such as vitamins, aloe and Chinese traditional medicines are very popular. Market data on the trends in these types of products is not readily available, but inputs for these types of products such as essential oils, grew by an average of 7% over the past three years. Note: U.S. companies seeking to market these types of products in China should seek assistance as to the proper labeling and marketing of these products, as China bans the use of terms such as natural and organic.

Color Cosmetics

Color Cosmetics are the second fastest growing product category, with demand rising over 10% in the past three years.. Hot products continue the focus on evening out skin tone, with color correcting creams and light weight foundations and tinted moisturizers growing in popularity. Color cosmetics comprise approximately 8% of U.S. exports to China in 2015, with lip and eye make-up among the most popular. Manicures and pedicures are increasingly popular especially among Chinese women who prize decorative coatings and artificial nails. There is also increasing interest and growing market for permanent make-up. The U.S. is currently the fourth largest exporter of these products to China, preceded by France, South Korea and Japan.

⁸ [Masidlover, Nadya](#), "L'Oréal Pulls Garnier Brand From China; French Cosmetics Firm's Mass-Market Brand Fails to Gain Traction in Key Emerging Market." Wall Street Journal Online. 08 Jan 2014.

Perfumes, Toilet Waters and Fragrances

Finished perfumes and toilet waters are a less promising product category, comprising only 5.2% of the total domestic market. It is a shrinking market for U.S. exports, growing by 15% in 2015. U.S. exports of fragrances inputs, however, are growing. The U.S. is the third largest exporter of fragrance inputs to China and sales of heavily scented personal care products such as personal toilet (bath washes, deodorants and shampoos) are growing rapidly.

See the following tables for more information on the U.S. and competing countries exports to China:

Table 3: China's Imports of Personal Care and Cosmetics Products from Brazil

Table 4: China's Imports of Personal Care and Cosmetics Products from Japan

Table 5: China's Imports of Personal Care and Cosmetics Products from France

Table 6: China's Imports of Personal Care and Cosmetics Products from Thailand

Table 7: China's Imports of Personal Care and Cosmetics Products from South Korea

Table 8: China's Imports of Personal Care and Cosmetics Products from the EU 28

Table 10: HS 34: Make Up Products, US Exports to China

Table 11: HS 35: Hair Care Products, US Exports to China

Table 12: HS 37: Cosmetic & Toilet Preparations, inc. Shaving, Bath Prep and Deodorants, US Exports to China

Top Domestic Trade Fairs

Cosmoprof Asia

November 16 – 18, 2016

Hong Kong Convention & Exhibition Center

Website: <http://www.cosmoprof-asia.com/en-us/>

Product Categories: Cosmetics & Toiletries, Natural Health, Beauty Salon, Hair Salon, Nail & Accessories, Pack & OEM

2015 Key Figures:

- 63,241 visits from 119 countries and regions
- 84,000 sqm of exhibition area
- 2,504 exhibitors from 46 Countries and Regions
- 22 country and group pavilions: Australia, Belgium, Brazil, California, Chile, China, France, Germany, Hong Kong, Italy, Japan, Korea, Poland, Spain, Switzerland, UK and USA etc.

Shanghai Beauty Expo

May 23 - 25, 2017

Shanghai New International Expo Center

Website: <http://www.chinabeautyexpo.com/>

Product Categories: Skin care & Cosmetics, Fragrance, Natural, Household detergent, Franchise & Retail Stores, OEM & Private Label, Beauty Salon, Accessories

2016 Key Figures:

- 387,000 visits from more than 100 countries and regions
- 200,000 sqm of exhibition area
- 2,568 exhibitors from 26 countries and regions
- 15 national and group pavilions: Australia, France, Germany, Hong Kong, Italy, Japan, Poland, Singapore, South Korea, Spain, UK, USA etc.

China International Beauty Expo (Guangzhou) Spring 2017

March 9 – 11, 2017

Guangzhou Import & Export Fair Complex

Website: <http://www.chinainternationalbeauty.com/gz/>

Product Categories: Beauty, Hair, Spa, Packaging, Professional Salon,

2016 Key Figures:

- 183,700 visits
- 260,000 sqm of exhibition area
- 2,000 exhibitors
- Exhibitors from 22 countries and regions, including U.S., Germany, Thailand, South Korea, Japan, Hong Kong etc.

Regulations, Standards, Customs and Tariffs

The Annex to this report provides a table of the requirements to sell cosmetics in China.

Cosmetics in China are categorized as ordinary and special use cosmetics. Perfume, skin care, shampoo and color cosmetics fall into ordinary products and special use products refer to hair dye, hair perm, hair-growing, sunblock, anti-spot, slimming, breast-beautifying, depilatories and deodorant etc.

According to the CFDA (China Food and Drug Administration), all foreign cosmetic product manufacturers must complete a safety and health quality test, and obtain a hygiene permit before they are allowed to sell in the Chinese market. Application for this pre-market approval process can only be carried out by a Chinese legal entity. Overseas cosmetics manufacturers without legal representation in China are thus required to apply for the permit through agent services. The Manufacturer needs to sign a "Letter of Authorization" confirming that it authorizes a Chinese company to be the registration responsible party in mainland China for the products.

Safety and Health Quality Test

This test is performed by designated laboratories appointed by the CFDA and are listed on the CFDA website. All these labs have different testing capabilities designated for testing against specific conditions, such as microbiology, hygienic chemistry, toxicology test (which includes animal testing) or conducting safe-for-human-use trials (for special use cosmetics). The test normally takes 2-3 months for

ordinary cosmetics and 3-8 months for special-use cosmetics, while costs vary from \$700 to \$6,000 depending on the types and complexity of the products.

Following is the information on some of these testing organizations:

China Center for Diseases Control (China CDC)
Institute for Environmental Health and Related Product Safety
Phone: 86-10/6302-2960; Fax: 86-10/6317-0894
www.chinacdc.net.cn

Shanghai Center for Diseases Control (Shanghai CDC)
Environmental Health Section
Phone: 86-21/6275-8710 x 21; Fax: 86-21/6209-6059
www.scdc.sh.cn

Guangdong Center for Diseases Control (Guangdong CDC)
Public Health Research Institute
Phone: 86-20/8419-7952; Fax: 86-20/8446-9324
www.cdcp.org.cn

Hygiene Permit for Imported Cosmetics

Once testing is completed, the designated laboratory will issue a test report which needs to be submitted together with the other required documents for the application of the Hygiene Permit from CFDA. A committee under CFDA convenes to technical review and evaluate of imported cosmetics. The technical review time will be 3 months generally. If one application has been approved, a certificate will be issued by the CFDA. Companies need to submit the following documents (all translated in Chinese and notarized by a Chinese notarization company):

Application form for the cosmetic product to be imported

- Chinese product name and nomenclature;
- Product formula;
- Product quality and safety control file (The product info such as appearance, flavor, batch no and shelf life is required. Other quality control index like heavy metals and microbiology should be provided as well);
- Original product packaging including labelling information and product information sheet;
- Testing report and relevant data from testing organization certified by CFDA;
- Safety assessment report of cosmetics containing potential risk substances;
- Stamped copies of power of attorney and business license of Chinese responsible agent;
- Statement from manufacturer guaranteeing that materials used meet the requirements of BSE free regions.
- Free Sale Certificate at production country (region) or country (region) of origin
- Brief description and diagram of production process
- Technical requirements for cosmetic products in text
- Other relevant information which can support the application

The applicant will be notified by the CFDA within 5 days confirming whether the application is accepted or not. If the application is not accepted, the CFDA will provide explanation of discrepancies or missing documentation allowing the application to be resubmitted.

The Hygiene Certificate is valid for 4 years, and foreign manufacturers are required to renew it at least 4 months before it is expired.

The information of CFDA is as follows:

China Food and Drug Administration
Address: 26 Xuanwumen Xidajie, Beijing, 100053, P.R. China
Fax: 86-010-68310909
Email: inquires@sda.gov.cn
<http://eng.sfda.gov.cn/WS03/CL0755/>

Free Sales Certificate (FSC)

US companies exporting cosmetics to China needs to obtain a FSC from the FDA in the US indicating that their products are actually being sold and marketed freely in the US market. US FDA Center for Food Safety and Applied Nutrition (CFSAN) is able to issue the certificate at 10 USD in about 3 – 8 weeks.

Details about the FSC issued by FDA can be found at the following webpage:

<http://www.fda.gov/Cosmetics/InternationalActivities/Exporters/ucm129593.htm>

In addition to FDA, some US trade associations or State or local health department, e.g. California Department of Health also issue this certificate to US companies. Here is the contact information of two such trade associations:

Personal Care Products Council (PCPC)
1101 17th Street, NW, Suite 300, Washington D.C. 20036-4702
Phone: (202) 331-1770
Fax: (202) 331-1969
<http://www.personalcarecouncil.org/>

Independent Cosmetic Manufacturers & Distributors (ICMD)
1220 W. Northwest Hwy Palatine, Illinois 60067
Phone: 1-800-334-2623
Fax: 847-991-8161
<http://www.icmad.org/membership/certificates.asp>

Labeling

Cosmetic products imported into China must be labelled according to the mandatory National Standard GB 5296.3-2008 - Instruction for use of consumer products - general labelling for cosmetics. The manufacturer is required to list the following information, in clear simplified Chinese, on a label:

- Product name;
- Name and address of the manufacturer;
- Net content;
- Product ingredients;
- Shelf life;
- The code of hygiene permit or record-keeping certificate;
- Safety statement and guidance on uses (optional);

- For imported cosmetics, country of origin and the name and address of the distributor in China shall also be given on the label because they will shoulder the legal responsibilities in China as foreign manufacturers.

According to the Administrative Measures on the Regulation on the Cosmetics Advertisement (SAIC 1993), the following are prohibited on the label:

- Exaggerating claims in the name, production method, composition, performance or efficacy of the cosmetics
- Use of the name or image of a consumer or other endorser to prove effectiveness;
- Therapeutic claims and medical terms;
- Comparisons that denigrate similar products;
- Using absolute language;
- Data related to performance, function, sales and other similar features

Customs Clearance

After receiving the hygiene permit, foreign manufacturers are qualified to export their cosmetics to China. When goods arrive at Chinese ports, importers need to apply for an inspection from the local branch of the China Inspection and Quarantine Bureau (CIQ). CIQ's inspection is mandatory for cosmetics imported to China and will do a random sample check and conduct Physio-chemical and microbiological tests. CIQ will also review the Chinese label according to GB 5296.3-2008. If the goods pass CIQ's inspections, CIQ will issue a certificate of inspection which is then used by importers for customs clearance.

The following documents are needed to apply for CIQ inspection:

- A self-declaration letter stating that the imported cosmetic product complies with relevant Chinese laws and the normal use of the product will not cause any harm to human health;
- Product formula;
- Hygiene license or record-keeping certificate;
- Sample labels in Chinese, product labels in the original language and the translated text in Chinese;
- Information on the product name, volume/weight, specifications, country of origin, batch number, expiry date (production date and shelf life), target market, and information about packaging company;
- Other documentation required.

Tax & Tariff rate

HS Code	Description	Tariff	VAT	Consumption Tax
33030000* 33041000* 33042000* 33043000* 33049100*	Perfume Lip make-up Eye make-up Manicure or pedicure Powders	10%	17%	15%
33049900*	Skin care	2%	17%	15%

33051000	Shampoo	6.5%	17%	0%
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Source: *Customs Import and Export Tariff of the People's Republic of China*

* Cosmetic products with sale prices of less than 10 yuan per millimeter or 15 yuan a tablet or sheet (exclusive VAT), consumption tax is 0%.

Animal Testing

Animal testing can be waived for China domestic non special use cosmetics from Jun 2014. But for imported cosmetics, all toxicological tests are still performed in animals to assess the safety of non-special-use and special use cosmetics, which are resulting in substantial numbers of U.S. personal care and cosmetics companies choosing to not export to China. Animal testing for cosmetics is a highly controversial practice and companies which conduct animal tests to meet China's requirements risk high-profile criticism from their clients and activists. For foreign companies claiming their products are cruelty free, there is a possible way for them to place their products in China without animal testing. They can export the bulk to China for filling and packing. Then the products manufactured under this way are regarded as domestic cosmetics. Currently, another way to avoid animal testing is selling cosmetics by cross-border e-commerce.

Intellectual Property Rights

Generally speaking, China's trademark registration is fairly inexpensive and straightforward. To show its commitment to WTO pledges, local judges are encouraged to promote rule of law and act against infringements on behalf of the foreign litigants. But, remember that China's system is 'first to register' rather than 'first to market'. So, if you are seriously looking at this market, registering BEFORE you enter China can save a lot of time, money and frustration should you face infringement at a later stage. The worst case scenario is to have a competitor or other local firms register your brand name in the early stages of your market entry, forcing you to fight an uphill battle for your name. To learn more about protecting your trademark in China, please visit: <http://beijing.usembassy-china.org.cn/iptrade.html>

For More Information:

Contact:

Shen Yan, U.S. Commercial Service-Beijing

Email: Yan.Shen@trade.gov

Tel: (8610) 8531-3554

Fax: (8610) 8531-3701

Website: <http://export.gov/china>

Angela Han, U.S. Commercial Service-Guangzhou

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Tel: (8620) 3814 -5543

Fax: (8620) 3814-5310

Website: <http://export.gov/china>

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Website: <http://export.gov/china>



Annex

Annex

I. Market Readiness Checklist

II. Country Data

COSMETICS MARKET READINESS ASSESSMENT

	ASEAN	China	Japan	EU	South Korea
Local Registration					
Legal Representative	Yes By Country	Yes	Yes	No	Yes
Product Registration or Notification	Both	Register	Notification	Both	Both
Frequency	Yes	Yes	Yes	Once	Once
By Product or Product Group	Product Group	Yes	Yes	Product	By Product
Product Specification Requirements					
Safety Assessment	Yes	Yes	No	Yes	Yes
Raw Material Registration	No	Yes	No		Yes
Formula: Quantitative, Qualitative or Both	Yes	Yes	No	Both	Yes
Material Safety Data Sheet: Raw Materials	No	Yes	No	Yes	
Material Safety Data Sheet: Product	No	Yes	No	Yes	
Preservative Efficacy	Yes	Yes	No		Yes
Nationally Certified Testing Facility	NA	Yes	No	Yes	Yes
Animal Testing	No	Yes	No	No	No
Packaging Assessment	No	Yes	No	Yes	Yes
Product Stability	Yes	Yes	No	Yes	Yes
Good Manufacturing Practice	Yes	Yes	No	Yes	Yes
Proof of Claims	Yes	No	No	Yes	Yes
Trademark Registration	No	No	No	No	No
Product Sample		Yes	No		
Labelling					
Country of Origin	Yes	Yes	Yes	Yes	Yes
Nominal Content: Weight or Volume (?)	Yes	Yes	Yes	Yes	Yes
Registration Number	No	Yes	No	Yes	Yes
Language Requirement	Yes	Yes	Yes	Yes	Yes
Product Function	Yes	Yes	Yes	No	Yes
Formula: Quantitative, Qualitative or Both	Yes	Yes	Yes	Yes	Yes
Fragrances	No	No	Yes	Yes	No
Percentage of Ingredients Claimed	No	No	Yes	No	No
Alcohol Content	No	No	No	No	No
Information on Product Use	Yes	Yes	No	Yes	Yes
Warning Statements	Yes	Yes	Yes	Yes	Yes
Manufacturer Name and Address	No	Optional	Yes	No	Yes
Importer Name and Address	Yes	Yes	No	Yes	Yes
Date of Durability	Yes	Yes	Yes	Yes	Yes
Storage Conditions	No	Yes	No	Yes	Yes
Expiration Date	Yes	No	No	Yes	Yes
Claims	Yes	Yes	Yes	Yes	Yes
Environmental Labelling	No	No	Yes	No	Yes
Certificates of Free Sale			Yes		
By Product	Yes	Yes		No	Yes
Post Market Monitoring	Yes	Yes	No		
Consumer Hot Line	No	No		Yes	Yes
Notification of Local Authorities	Yes	Yes	Yes	Yes	Yes
Recall	No	Yes	Yes	Yes	Yes
Government Fee to Notify/Register	See Annex	Yes \$1,000 for ordinary	No	No	\$5 for first three and \$0.80 for additional
Time to Process	See Annex	4-8 months	1 Day	1 Day	3-4 Business Days
Requirements here are for ordinary cosmetics.					
ASEAN includes: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam					
The EU is included for ease of comparison, given the overlapping requirements of the Cosmetics Regulation with many Asian countries.					

NOTE: The International Trade Administration provides this report as a resource to U.S. exporters. Every effort has been made to ensure that the information presented is complete and accurate as of the date of publication; however, the U.S. Government assumes no responsibility or liability for any errors or omissions. Readers are advised to independently verify any information contained in this intelligence brief prior to relying on it. The information provided in this report does not constitute legal advice. Readers are further advised to conduct their own due diligence and seek the advice of legal counsel before entering into business ventures or other commercial engagements in this market.

COSMETICS MARKET READINESS ASSESSMENT
CHINA

Cosmetics Definition

China defines cosmetics as products which are applied to any parts of the human body (skin, hair, nails, lips, etc.) by rubbing, spraying, or other similar approaches for the purpose of cleaning, removing bad odors, protecting the skin, beautifying, and making up. Within this definition, China has two classes of cosmetics products: Ordinary and Special, which includes products that have active ingredients that change body functions. Products classified as Ordinary include: Skin Care (lotion, moisturizer, toner, anti-aging, anti-acne, etc); Make-up; Hair Care (shampoo, conditioner, etc); Perfumes and Nail Care. Special cosmetics include skin products to remove spots or whiten the skin; Sun Protection (SPF/PA); hair dyes, relaxers and other chemical treatments; Hair loss; Anti-Perspirants; Depilatory; Body Shaping and Child/Baby products.

	Requirements	Notes
Local Registration		
Legal Representative	Yes	Companies intending to import must assign a legal entity, known as the "responsible person" in China to undertake registration. This entity as well as the manufacturer are responsible for ensuring the product meet China's national standards. For products produced under a contract manufacturing agreement, a copy of the production agreement is required.
Product Registration or Notification	Register	
Frequency	Yes	Every four years, with sample testing not required for renewal, unless there is a change in product specifications or China's test standards.
By Product or Product Group	Yes	China allows by product type, so need to clarify if each individual product requires a registration.
Product Specification Requirements		
Safety Assessment	Yes	For products that contain ingredients that are restricted, a safety assessment is required. The assessment should be performed by a third licensed party, qualified in either medicine, pharmacy, chemistry, toxicology or relevant fields, and have over five years' experience.
Raw Material Registration	Yes	China has lists of prohibited, restricted and allowed ingredients, which includes conditions of use. If an ingredient is not on one of these lists, then it must be registered before use in a product. Letter of commitment stating that the cosmetic ingredients meet the restriction requirements of high-risk substances from regions with high incidence of mad cow disease.
Formula: Quantative, Qualitative or Both	Yes	China requires all imported products to be ingredient tested by local labs. In the product dossier, all ingredients present at 0.01% or greater should be identified by the Chinese INCI name, with special requirements for preservatives, sunscreens, colorants and hair dyes. Ingredients used in special cosmetics that provide function must be identified, with supporting information.
Material Safety Data Sheet: Raw Materials	Yes	
Material Safety Data Sheet: Product	Yes	
Preservative Efficacy	Yes	China provides requirements as to microbiological counts and types of permitted bacteria.
Nationally Certified Testing Facility	Yes	For products sold only in China, products must be tested on Chinese subjects.
Animal Testing	Yes	For both ordinary and special cosmetics.
Packaging Assessment	Yes	Direct contact materials should be toxin free.
Product Stability	Yes	Provide conditions required for safe storage of the product.
Good Manufacturing Practice	Yes	China follows ISO 22716 for Good Manufacturing Practices.
Proof of Claims	No	CFDA provides guidance on product claims, including guidance on product names. Claims of medicinal or therapeutical properties are prohibited.
Trademark Registration	No	
Product Sample	Yes	Samples of the product and packaging required
Labeling		
Country of Origin	Yes	Country of origin on the Chinese label.
Nominal Content: Weight or Volume	Yes	
Registration Number	Yes	Assigned at registration, representing product type, approved date and sequence number. Must be on the product.
Language Requirement	Yes	Chinese label.
Product Function	Yes	On the Chinese label, must include the Chinese product name per the Cosmetic Naming Rule
Formula: Quantative, Qualitative or Both	Yes	All ingredients present at 1% or greater should be identified by the Chinese INCI name. Some special requirements by products, e.g. baby products require nano labeling.
Fragrances	No	

Percentage of Ingredients Claimed	No	This refers to a requirement in some countries that percentages of active ingredients be listed.
Alcohol Content	No	
Information on Product Use	Yes	Safety statement and guidance on use in Chinese
Warning Statements	Yes	In Chinese, warnings for products that contain restricted ingredients, as well as for special cosmetics.
Manufacturer Name and Address	Optional	Name and address of overseas manufacturer
Importer Name and Address	Yes	Local distributor or wholesaler information with the company code on the product label.
Date of Durability	Yes	Combination of production date and period after manufacturing or batch number of data of minimum durability.
Storage Conditions	Yes	Should be provided if necessary for safety assurance.
Expiration Date	No	See comments on date of durability.
Claims	Yes	Misleading information, including medical and therapeutic claims are prohibited.
Environmental Labeling	No	
Certificate of Free Sale		
By Product	Yes	Accept from FDA, state governments or trade associations in the country of origin.
Post Market Monitoring	Yes	
Consumer Hot Line	No	
Notification of Local Authorities	Yes	The importer should register with local Administration of Industry and Commerce (AIC) and China AQSIQ, with its company name, address, POC, contact information and product information. The importer should also maintain a sales record including recall record. (Effective from March 1, 2017)
Recall	Yes	Importers should have procedures for registration and tracking of product delivery, processing and withdrawal of defective products, and inform AIC and AQSIQ in a timely manner.
Government Fee to Notify/Register	Yes \$1,000	For ordinary cosmetics. Special use starts at \$3,000 and ingredient registration starts at \$12,000 not including testing fees and risk assessment.
Time to Process	4-8 months	4 - 8 months for ordinary cosmetics, 8 - 15 months for special use cosmetics

Product Registration

China has two levels of registration for imported cosmetics. Product classified as ordinary must apply for a registration certificate. Products classified as special must apply for a hygiene license. The registration requirements are somewhat similar, with special cosmetics having to justify function of active ingredients and provide a human safety assessment.

Additional Resources

1. Two guides for importing cosmetics to China are as follows:

Guidance in a Nutshell: Steps to Exporting Cosmetics Products to China. Reach24 Consulting Group. http://www.in-cosmetics.com/__novadocuments/45611?v=635274255261670000

Guidance on Exporting Cosmetics to China. CIRS Consulting Group: http://www.cirs-reach.com/Guidance_on_Exporting_Cosmetics_to_China_2012.pdf

2. CFDA requirements for registration of imported special use cosmetics: <http://eng.sfda.gov.cn/WS03/CL0772/98105.html>

3. CFDA requirements for registration of ordinary cosmetics: <http://eng.sfda.gov.cn/WS03/CL0772/98099.html>

4. CFDA requirements for approval of new cosmetics ingredients: <http://eng.sfda.gov.cn/WS03/CL0772/98092.html>

5. New CFDA safety and technical standard for cosmetics, including test methods and ingredient lists. Goes into effect December 2016: <http://www.sda.gov.cn/directory/web/WS01/images/MjAxNjQtdoyNjI6xbmruOa4vbz+Ln8kZg==.pdf>



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